

# **PUBLIC DISCLOSURE**

February 9, 1998

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Bank of Bentonville**

**RSSD# 105549**

**201 Northeast 'A' Street  
Bentonville, Arkansas 72712**

**Federal Reserve Bank of St. Louis**

**P.O. Box 442**

**St. Louis, Missouri 63166-0442**

**NOTE:** This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Federal Reserve concerning the safety and soundness of this financial institution.

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## GENERAL INFORMATION

*The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.*

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of **Bank of Bentonville** prepared by the **Federal Reserve System**, the institution's supervisory agency, as of February 23, 1998. The agency evaluates performance in assessment area(s), as they are delineated by this institution, rather than individual branches. This assessment area evaluation may include visits to some, but not necessarily all of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.*

**INSTITUTION'S CRA RATING:** This institution is rated satisfactory.

The Bank of Bentonville meets the criteria for a satisfactory overall rating. The rating is based upon an analysis of the bank's lending performance, level of qualified investments, and retail and community development services.

An analysis of the bank's performance under the lending test revealed favorable responsiveness to assessment area credit needs. The distribution of loans reflects an adequate penetration among retail customers of different income levels and an excellent penetration among businesses and farms of different sizes. The geographic dispersion of loans reflects good penetration throughout the assessment area. A majority of the bank's loans and other lending related activities are extended within its assessment area. The loan-to-deposit ratio is adequate given the bank's size, its financial condition, and the credit needs of the assessment area. In addition, the bank seems to be responsive to community development credit needs by making community development loans when opportunities are available.

Under the investment test, the bank's performance exhibits an adequate level of responsiveness to credit needs through community development investments. The bank has made periodic monetary contributions to community development organizations and agencies that benefit low- and moderate-income (LMI) individuals and families.

Finally, the bank's performance under the service test is considered good. Delivery systems are accessible to essentially all portions of the assessment area. The bank has recently added a branch and an automatic teller machine (ATM) location to increase accessibility of its delivery systems, particularly to LMI individuals. Retail services and hours of operation are reasonable and convenient. Furthermore, the bank provides a relatively high level of community development services.

*The following table indicates the performance level of The Bank of Bentonville with respect to the lending, investment, and service tests.*

<b>PERFORMANCE LEVELS</b>	Bank of Bentonville		
	<b><u>PERFORMANCE TESTS</u></b>		
	<b>Lending Test *</b>	<b>Investment Test</b>	<b>Service Test</b>
Outstanding			
High Satisfactory	X		X
Low Satisfactory		X	
Needs to Improve			
Substantial Noncompliance			

### **DESCRIPTION OF INSTITUTION:**

The Bank of Bentonville is a full service bank offering a wide range of both consumer and commercial loan and deposit products. It offers adjustable rate and nonconforming<sup>1</sup> real estate loans through the bank and offers conventional fixed rate, Federal Housing Administration (FHA), and Veterans Administration (VA) loans through an affiliate, Arvest Mortgage Company. The bank's branch network consists of six full-service branches with on-site automatic teller machines (ATMs), three limited-service branches, and six additional freestanding ATMs in Benton County.

As of December 31, 1997, the bank reported total assets of \$500 million. The bank is a wholly-owned subsidiary of Arvest Bank Group, Inc., a multi-bank holding company located in Bentonville, Arkansas. The holding company reported assets of \$2.9 billion as of December 31, 1997.

The bank's primary competitors are a federal savings bank and a locally-owned national bank with assets of \$547.1 million and \$177.1 million, respectively. Also operating in the bank's assessment area is a branch of a large multi-state institution.

### **DESCRIPTION OF ASSESSMENT AREA:**

The bank's assessment area is all of Benton County, Arkansas, which consists of 26 census tracts. Benton County is part of the Fayetteville-Springdale-Rogers Metropolitan Statistical Area (MSA).

The following table reflects the number and population of the census tracts within the assessment area in each income category<sup>2</sup>.

\* Note: The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

<sup>1</sup> Nonconforming loans are those that are underwritten using standards that do not conform to secondary market standards, and are, therefore, normally held in the bank's loan portfolio.

<sup>2</sup> Low-income is defined as individual income, or in the case of a geography, a median family income that is less than 50 percent of the MSA median family income.

Moderate-income is defined as individual income, or in the case of a geography, a median family income that is at least 50 percent and less than 80 percent of the MSA median family income.

<b>Distribution of Census Tracts in Assessment Area By Income Level</b>					
	<b>Low-<sup>3</sup></b>	<b>Moderate</b>	<b>Middle-</b>	<b>Upper-</b>	<b>Total</b>
		-			
Number of Census Tracts	1 3.8%	0 N/A	23 88.5%	2 7.7%	26 100%
Tract Population	0 0%	N/A	86,482 88.7%	11,017 11.3%	97,499 100%

The assessment area is comprised of 3.8 percent low-income tracts, 88.5 percent middle-income tracts, and 7.7 percent upper-income tracts. No moderate-income census tracts are located within the bank's assessment area. As of the 1990 census, the low-income tract had no population. The majority of the assessment area's population, 88.7 percent, resides within the middle-income tracts.

The following table displays population percentages of the assessment area families by income level compared to the MSA population.

<b>Assessment Area Income Stratification<sup>4</sup></b>		
<b>1990 Census Data</b>	<b>Metropolitan Statistical Area (MSA 2580)</b>	<b>Assessment Area (Benton County)</b>
Low-Income Families	17.0%	14.9%
Moderate-Income Families	19.9%	20.4%
Middle-Income Families	25.1%	25.5%
Upper-Income Families	37.9%	39.2%

Benton County population percentages are very similar to that of the entire MSA. Although 25 of the 26 census tracts within the bank's assessment area are middle- and upper-income tracts, low- and moderate-income (LMI) families are dispersed throughout the assessment area.

The assessment area, as well as the entire MSA, has experienced a large population growth over the last six years. Statistics provided by the Northwest Arkansas Regional Planning Commission demonstrate the region's population has grown by about 7,000 people a year since 1990. The 1990 MSA population of 210,908 had grown to about 259,782 by year-end 1996.

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Middle-income is defined as individual income, or in the case of a geography, a median family income that is at least 80 percent and less than 120 percent of the MSA median family income.

Upper-income is defined as individual income, or in the case of a geography, a median family income that is 120 percent or more of the MSA median family income.

<sup>3</sup> The one low-income census tract had no population at the time of the 1990 census, but it is now being developed. However, there are no statistics yet available regarding the specific number of housing units built or the number of businesses operating in the tract.

<sup>4</sup> Population income levels were determined using the 1990 census median family income.

Outside contacts stated that the population growth is due to a relatively low cost of living, excluding housing costs, combined with many companies locating in Benton and Washington Counties. Because of the increased availability of jobs in the area, the unemployment rate for Benton County is well below the statewide unemployment rate. For the month of December 1997, the statewide unemployment rate was 5.0 percent while Benton County reported an unemployment rate of only 3.1 percent.

The area's primary employers are Wal-Mart, Tyson Foods, and J.B. Hunt. Together, these companies employ approximately 13,000 people.

The growth and prosperity experienced by the region's employers and low unemployment have led to low-skilled jobs being filled by workers who are recruited from outside the immediate region. This increase in the labor force has caused an immediate need for affordable housing. Outside contacts indicated that the demand for housing has driven up the cost of the average house. Consequently, LMI families have difficulty affording a house as evidenced by the housing affordability ratio<sup>5</sup> of 44 percent for Benton County.

## **CONCLUSIONS WITH RESPECT TO THE PERFORMANCE TESTS:**

### **Lending Test**

Bank of Bentonville meets the standards of a high satisfactory rating under the lending performance test. Lending levels reflect good responsiveness to assessment area credit needs. A high percentage of loans are made in the bank's assessment area. Further, the distributions reveal reasonable lending penetration to borrowers of different income levels, to businesses of different sizes, and by geography. Given local opportunities for community development lending, the bank has made an adequate level of community development loans. Lastly, the bank periodically uses innovative and/or flexible lending practices in order to better serve the assessment area's credit needs.

The bank's performance under the lending test was evaluated using 1997 Home Mortgage Disclosure Act (HMDA)<sup>6</sup> data, 1997 CRA data for small business and small farm loans, and a sample of consumer loans originated within the last six months. These three loan categories are considered the bank's primary lines of business and are, therefore, indicative of the overall lending performance of the bank.

### **Loan Distribution by Borrower Income/Revenues**

HMDA reportable real estate loans and consumer loans were reviewed to determine the level of penetration among borrowers of different income levels. Separately, small

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<sup>5</sup> This figure is calculated by dividing the median household income by the median housing value and represents the amount of single family owner-occupied housing that a dollar of income can purchase for the median household in the geography. Values closer to 100 percent indicate greater affordability.

<sup>6</sup> In 1997, the bank reported data on home mortgage loans consisting of home purchases, refinancings, and home improvement loans.

business and small farm loans originated by the bank were evaluated for distribution among businesses and farms of different revenue sizes. The following table shows the distribution across the assessment area of HMDA and consumer loans by income level of the borrower.

Loan Type	Distribution by Borrower Income Level Number of Loans and Dollar Amount				
	Low-	Moderate-	Middle-	Upper-	Total
1997 HMDA	28 6.3%	75 16.9%	99 22.3%	242 54.5%	444 100%
	\$796,000 2.8%	\$2,724,000 9.5%	\$4,289,000 15.0%	\$20,776,000 72.7%	\$28,585,000 100%
Consumer	31 20.5%	43 28.5%	30 19.9%	47 31.1%	151 100%
	\$116,419 9.6%	\$252,146 20.9%	\$198,849 16.5%	\$639,825 53.0%	\$1,207,239 100%
Total Loans Reviewed	59 9.9%	118 19.8%	129 21.7%	289 48.6%	595 100%
	\$912,419 3.1%	\$2,976,146 10.0%	\$4,487,849 15.0%	\$21,415,825 71.9%	\$29,792,239 100%
<b>Assessment Area Family Population</b>	<b>14.9%</b>	<b>20.4%</b>	<b>25.5%</b>	<b>39.2%</b>	<b>100%</b>

As the table depicts, the bank only originated 23.2 percent of the number and 12.3 percent of the dollar volume of HMDA reportable loans to LMI borrowers. In comparison, the assessment area population of LMI families is 35.3 percent. While the bank's loan distribution to LMI borrowers appears low when compared to the assessment area population percentages, the local housing market should be considered. As discussed in the "Description of Assessment Area" section, housing costs are quite high, making it difficult for LMI families to afford owner-occupied housing.

The bank, in an effort to accommodate LMI mortgage borrowers, originates FHA and VA loans through an affiliate, Arvest Mortgage Company. These loans are not reflected in the above HMDA figures and are discussed later under the "Affiliate Lending" section. Also, the bank participates in a number of programs designed to assist LMI borrowers with closing costs. These programs are discussed in detail in the "Innovative or Flexible Lending Practice" section of this evaluation.

The bank originated 49.0 percent of the number and 30.5 percent of the dollar volume of consumer loans to LMI borrowers, compared to an LMI family population of 35.3 percent. Many of these loans were for an amount less than \$1,000, which bank management indicates is a credit need of local LMI community members. In comparison to the population percentage of LMI families, consumer loans have a high level of penetration among LMI individuals.

Lastly, when both HMDA and consumer loans are combined, the bank originated 29.7 percent of the number and 13.1 percent of the dollar volume to LMI borrowers. Given

the population percentage of LMI people, the distribution of loans reflects adequate penetration among retail customers of different income levels.

While the distribution of lending to borrowers of different income levels is adequate, the bank's overall level of performance is enhanced by its excellent level of lending to businesses and farms with gross annual revenues less than \$1 million (small businesses and small farms).

The following table reflects the distribution of small business loans by business revenue and loan amount.

<b>Distribution of Small Business Loans</b>				
<b>Gross Revenue</b>	<b>Loan Origination Amount \$(000's)</b>			<b>Total Loans</b>
	<b>≤\$100</b>	<b>&gt;\$100≤\$250</b>	<b>&gt;\$250≤\$1,000</b>	
Less than \$1 million	624 83.3%	82 11.0%	43 5.7%	749 98.9%
\$1 million or more	4 50.0%	0 N/A	4 50.0%	8 1.1%
Total Loans	628 83.0%	82 10.8%	47 6.2%	757 100%

The following table reflects the distribution of small farm loans by revenue level and loan amount.

<b>Distribution of Small Farm Loans</b>				
<b>Gross Revenue</b>	<b>Loan Origination Amount \$(000's)</b>			<b>Total Loans</b>
	<b>≤\$100</b>	<b>&gt;\$100≤\$250</b>	<b>&gt;\$250≤\$500</b>	
Less than \$1 million	273 89.8%	24 7.9%	7 2.3%	304 100%
\$1 million or more	0 N/A	0 N/A	0 N/A	0 N/A
Total Loans	273 89.8%	24 7.9%	7 2.3%	304 100%



Both tables demonstrate a large volume of lending is made to small businesses and small farms. The bank originated 98.9 percent of its business loans to small businesses and 100 percent of its agricultural loans to small farms. Furthermore, 83.3 percent of small business and 89.8 percent of small farm loans originated to these entities were for loan amounts of \$100,000 or less. These figures surpass the 1996 CRA Aggregate data<sup>7</sup> percentages, which show that of all business and farm loans reported in Benton County, 80.0 percent were made to small businesses and 96.4 percent were to small farms. Consequently, the bank's lending to such entities is excellent.

### **Loan Distribution by Geography**

The bank's assessment area contains 1 low-income tract, 23 middle-income tracts, and 2 upper-income tracts. The following table illustrates the distribution of the bank's consumer loans, HMDA reportable loans, small business, and small farm loans across these geographies.

<b>Geographic Distribution of Loans (Number and Dollar Volume) Across Assessment Area by Income Level of Census Tracts</b>					
<b>Loan Type</b>	<b>Census Tract Income Classification</b>				<b>Total</b>
	<b>Low-<sup>8</sup></b>	<b>Moderate-</b>	<b>Middle-</b>	<b>Upper-</b>	
Consumer	2 1.3%	N/A	124 82.1%	25 16.6%	151 100%
	\$4,600 .4%	N/A	\$986,388 81.8%	\$214,251 17.8%	\$1,205,239 100%
HMDA	0 N/A	N/A	367 78.9%	98 21.1%	465 100%
	0 N/A	N/A	\$23,214,000 79.2%	\$6,108,000 20.8%	\$29,322,000 100%
Small Business/ Small Business Secured by Real Estate	0 N/A	N/A	663 87.1%	98 12.9%	761 100%
	0 N/A	N/A	\$54,061,000 82.5%	\$11,487,000 17.5%	\$65,548,000 100%

<sup>7</sup> Aggregate information is taken from the 1996 CRA Aggregate and Disclosure data that is derived from data reported by all institutions in the market.

<sup>8</sup> See to footnote 3.

Small Farm	0 N/A	N/A	291 95.1%	15 4.9%	306 100%
	0 N/A	N/A	\$26,552,000 98.2%	\$490,000 1.8%	\$27,042,000 100%
Total Loans Reviewed	2 0.1%	N/A	1,445 85.9%	236 14.0%	1,683 100%
	\$4,600 0%	N/A	\$104,813,388 85.1%	\$18,299,251 14.9%	\$123,117,239 100%
<b>Population Percentage residing in Census Tract</b>	<b>0%</b>	<b>N/A</b>	<b>88.7%</b>	<b>11.3%</b>	<b>100%</b>
<b>Percentage of Tracts</b>	<b>3.8%</b>	<b>N/A</b>	<b>88.5%</b>	<b>7.7%</b>	<b>100%</b>

The geographic distribution of all loans reviewed among middle- and upper-income census tracts is consistent with the percentage of middle- and upper-income census tracts within the assessment area. Furthermore, the number and dollar volume of loans are consistent with the population percentages residing in each category of census tract.

The overall distribution of loans reflects good penetration throughout the assessment area. Furthermore, tract-by-tract analysis revealed that the bank has made loans in every census tract within its assessment area, except tract 212.02, a middle-income tract. Lending in 96.2 percent of the census tracts indicates excellent dispersion throughout the bank's assessment area.

### **Lending in the Assessment Area**

The following table demonstrates that a high percentage of loans were extended to borrowers inside the assessment area. Of the total loans reviewed, 1,683, or 84.3 percent, are located within the assessment area.

<b>Distribution of Lending Inside Assessment Area</b>					
<b>Loan Type</b>	<b>Total Number/Dollars</b>	<b>Number in Assessment Area</b>		<b>Dollar Amount in Assessment Area</b>	
Consumer	178 \$1,395,954	151	84.8%	\$1,205,239	86.3%
HMDA	537 \$33,900,000	465	86.6%	\$29,322,000	86.5%
Small Business/ Small Business Secured by Real Estate	902 \$76,697,000	761	84.4%	\$65,548,000	85.5%
Small Farm	379 \$30,533,000	306	80.7%	\$27,042,000	88.6%
<b>Total</b>	<b>1,996</b>	<b>1,683</b>	<b>84.3%</b>	<b>\$123,117,239</b>	<b>86.4%</b>

	\$142,525,954				
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### **Lending Activity**

An indicator of the bank's overall level of lending activity is its loan-to-deposit ratio. For the last 12 quarters, the bank has had an average loan-to-deposit ratio of 74.0 percent. The bank's overall lending level is lower than its two local competitors of similar asset size. The competitors had average loan-to-deposit ratios of 93.0 percent and 83.9 percent, respectively. Management, however, has outlined in its loan policy that the loan-to-deposit ratio should not exceed 75 percent. Management indicated that a loan-to-deposit ratio in this range is conservatively beneficial to the bank in achieving an acceptable level of earnings while maintaining a reasonable level of liquidity and a manageable level of credit risk.

### **Community Development Lending**

The bank has been successful in participating in community development initiatives as they become available. Outside contacts indicated that the bank has taken a leadership role within the community regarding community development projects and initiatives. The bank has made several community development loans to Bentonville Community Development Corporation (CDC), which has a primary focus of affordable housing. In 1997, the bank renewed a loan for development of land in the amount of \$91,000. Finally, in 1997, the bank issued a letter of credit in the amount of \$32,275 to secure a grant for the CDC. The grant was used to develop Havenwood, which is a facility that provides single parent housing and transitional housing for the working poor. The CDC has referred LMI borrowers to the bank for permanent financing of several rehabilitation projects. The bank has been able to originate a number of these loans through conventional financing and they are reflected in the HMDA data discussed earlier in this evaluation.

In conjunction with outside agencies, the bank has originated 12 loans totaling \$683,250. While these loans do not qualify directly as community development loans because they are included in the bank's HMDA data, they meet the definition of community development because they are for affordable housing. The bank has also made nine First Time Homebuyer Bond loans for a total of \$593,250. This state funded program assists LMI borrowers qualify for loans by charging a below the market interest rate. The lower interest rate reduces monthly payments and consequently makes qualifying easier for LMI borrowers. The bank also made three Arkansas Development Finance Authority (ADFA) loans totaling \$90,000. The ADFA will provide up to \$3,000 for the down payment and closing costs in an effort to qualify LMI borrowers that would not otherwise qualify under traditional underwriting standards. Applicants must first complete a home ownership-counseling seminar and must not exceed certain income ceilings.

### **Innovative or Flexible Lending Practices**

The bank uses innovative and flexible lending practices in order to help meet assessment area credit needs. The bank became a member of the Federal Home Loan Bank in order to participate in special loan programs designed to make home loans more affordable for LMI borrowers and to promote community development and small business loan programs. One program, "Helping Hands," provides money to pay for

closing costs for qualified LMI borrowers. To date, the bank has not originated any of these type of loans.

As mentioned in the "Community Development Lending" section, the bank also participates in the First Time Homebuyer Bond program and the ADFA program. These programs assist LMI borrowers to qualify by charging a below market interest rate or providing down payment assistance.

### **Affiliate Lending**

As mentioned earlier, conventional fixed rate, FHA, and VA real estate loans are available through an affiliate, Arvest Mortgage Company. The bank opted to have these loans considered to enhance the bank's overall 1-4 family residential lending performance. To limit the interest rate risk in its loan portfolio, the bank only offers adjustable rate mortgage loans. Arvest Mortgage Company offers fixed rate and government-insured loans through the bank. The loan applications are processed by bank personnel and are closed and funded by Arvest Mortgage for sale in the secondary market.

The evaluation of affiliate lending to enhance the bank's lending performance included an analysis of loans by the borrower's income level and by the percent of loans within the assessment area. The affiliate originated 554 loan applications that were processed by the bank.

The following table shows the number and dollar volume of loans originated.

<b>1997 Affiliate Lending</b>		
<b>Loan Type</b>	<b>Number</b>	<b>Dollar Volume</b>
Conventional Purchase	272	\$27,818,000
Conventional Refinance	202	\$22,272,000
FHA	55	\$3,741,000
VA	25	\$2,222,000
<b>Totals</b>	<b>554</b>	<b>\$56,053,000</b>

The overall level of real estate lending by the affiliate enhances the bank's lending level. Through its affiliate, the bank was able to provide financing for more loan applicants (554 loans totaling \$56 million) than the bank could individually finance (537 loans totaling \$33.9 million). The bank's real estate loans for 1997 more than doubled when combined with the affiliate.

Of the 554 loans, 453 were inside of the bank's assessment area. The next table demonstrates the distribution of 453 loans by income level of the borrower.

<b>Loan Type</b>	<b>Distribution by Borrower Income Level</b>				
	<b>Number of Loans and Dollar Amount</b>				
	<b>Low-</b>	<b>Moderate-</b>	<b>Middle-</b>	<b>Upper-</b>	<b>Total</b>

Conventional Purchase	12 6.1%	23 11.7%	35 17.9%	126 64.3%	196 100%
	\$609,000 3.1%	\$1,511,000 7.6%	\$2,664,000 13.4%	\$15,069,000 75.9%	\$19,853,000 100%
Conventional Refinance	5 2.8%	28 15.5%	44 24.3%	104 57.4%	181 100%
	\$274,000 1.4%	\$1,737,000 8.9%	\$3,652,000 18.8%	\$13,781,000 70.9%	\$19,444,000 100%
FHA	2 3.9%	19 37.3%	17 33.3%	13 25.5%	51 100%
	\$111,000 3.2%	\$1,121,000 32.1%	\$1,245,000 35.7%	\$1,011,000 29.0%	\$3,488,000 100%
VA	1 4.0%	5 20.0%	10 40.0%	9 36.0%	25 100%
	\$26,000 1.2%	\$297,000 13.4%	\$809,000 36.4%	\$1,090,000 49.0%	\$2,222,000 100%
Total Affiliate Loans	20 4.4%	75 16.6%	106 23.4%	252 55.6%	453 100%
	\$1,020,000 2.3%	\$4,666,000 10.4%	\$8,370,000 18.6%	\$30,951,000 68.7%	\$45,007,000 100%
<b>Assessment Area Family Population</b>	<b>14.9%</b>	<b>20.4%</b>	<b>25.5%</b>	<b>39.2%</b>	<b>100%</b>

Affiliate lending to LMI borrowers is comparable to the bank's lending to LMI borrowers. When compared to the population percentages of LMI families, the overall distribution of loans to borrowers of different income levels is slightly low, but adequate considering the high housing affordability ratio in the assessment area. When FHA loans are evaluated separately, the number and dollar volume to LMI borrowers is substantially higher than the other loan categories. The affiliate originated 41.2 percent of the number and 35.3 percent of the dollar volume of FHA loans to LMI borrowers. When compared to the population percentages of LMI families, the level of FHA lending reflects good penetration to LMI borrowers.

## Investment Test

The bank has made an adequate level of qualified community development grants. Through its provision of qualified community development grants, the bank exhibits an adequate responsiveness to credit and community economic development needs within its assessment area. As a result, the bank's performance in the investment test is considered low satisfactory.

### Qualified Investments

The following table lists the bank's total qualified community development grants for 1996, 1997, and the first two months of 1998.

Qualified Community Development Grants		
Recipient	Purpose	Total Amount of Grants

Boys and Girls Club of Arkansas	Provides counseling and tutoring services for LMI children.	\$6,300
Big Brothers/Big Sisters	Provides adults to counsel and tutor LMI children.	\$100
Arkansas Sheriff's Boys and Girls Camp	Provides summer-camp opportunities for low-income children	\$30
United Way of Benton County	Provides necessities and services to LMI persons.	\$1,475
Benton County Single Parent Scholarship	Provides scholarships to children of LMI single parents and to LMI single parents.	\$2,330
Havenwood	Transitional housing for LMI single parents.	\$800
The Adult Development Center Foundation	Provides job training for LMI individuals.	\$500

The bank made a total of \$11,535 in qualified community development contributions during this time period. In addition, the Walton Family Foundation, an affiliate of the bank, made a \$10,000 donation in January of 1997 in the name of the bank to the Adult Development Center Foundation of Benton County.

## **Service Test**

Given the bank's branch network, hours of operation, and comprehensive loan and deposit products, the bank's delivery systems are accessible to essentially all portions of the assessment area. Services do not vary in a way that inconveniences portions of the assessment area, particularly LMI geographies or individuals. The bank has not closed any branches since the last examination, but has opened a new branch and an ATM, which enhances the accessibility of its delivery systems, particularly to LMI individuals. The bank's community development services are also good and are listed under a separate heading. In summary, the bank's performance under the service test is considered high satisfactory.

## **Reasonableness of Business Hours and Services/Accessibility of Delivery Systems**

As discussed in the description of the institution, the bank offers a wide range of deposit and loan products. Loan products include consumer loans, both direct and indirect; real estate loans, adjustable rate and nonconforming; and commercial and industrial loans. Through Arvest Mortgage, the bank offers conventional fixed rate and government guaranteed real estate loans. The bank operates four full-service banking locations including the main office in downtown Bentonville. Additionally, the bank operates six branches that offer limited services such as teller services and consumer loans. Deposit-taking ATMs are located at each branch location. In addition to these ATMs, the bank operates seven freestanding ATMs strategically located throughout Benton County, five of which are located in the Wal-Mart corporate offices.

The bank's hours of operation vary between branches. The main bank is open from 8 a.m. to 5 p.m. Monday through Friday. Six branches are open 8 a.m. to 5 p.m. Monday through Thursday and 8 a.m. to 6 p.m. on Friday. One of these branches, the Bella Vista Town Center branch is open 8 a.m. to 12 noon on Saturday. The branch located nearest the Wal-Mart corporate office is open 7 a.m. to 7 p.m. Monday through Friday, and 7 a.m. to 1 p.m. on Saturday. The Financial Center branch operates 8 a.m. to 6 p.m. Monday through Friday, and 9 a.m. to 1 p.m. on Saturday. Finally, the Wal-Mart Supercenter branch is open from 9 a.m. to 7 p.m. Monday through Saturday.

All but one of these ten branches are located in middle-income census tracts. The Bella Vista Cunningham Corner branch is located in an upper-income tract. Although a low-income census tract exists within the bank's assessment area, the bank does not have a branch in this tract because few people reside within the tract. Other branches have the ability to service commercial customers located in this tract.

The bank employs several technologically advanced methods of enhancing the accessibility of the bank's products and services. One of which is an account information telephone line where customers can access account balances and check clearings, deposit activity, and interest information. It also allows electronic withdrawals and fund transfers.

Other technologically advanced delivery systems include two computerized systems for Internet access to deposit and loan accounts. One of the new systems, "Cash-Man," permits commercial deposit customers to transfer funds and stop payment on checks. The bank provides these customers with specific software enabling them to access these accounts. The other system called "Banking on the Net" permits consumers to review balances of deposit and loan accounts, check account histories, transfer funds, pay bills, order checks, and to download account history into financial tracking software such as Quicken.

### **Changes in Branch Locations**

In June of 1997, the bank opened a branch in the Wal-Mart Supercenter located in a middle-income census tract, 206.02, in the center of Benton County. Management believes that branches in Wal-Mart locations increase the accessibility to LMI persons. Also, the bank added an ATM location in Bentonville in June of 1997. The bank did not close any branches since the last examination.

### **Community Development Services**

The bank provides a satisfactory level of community development services to its assessment area. Bank personnel have conducted seminars in the community concerning home buying and small business lending. Bank personnel have also served as members of the board of directors of community development and housing organizations.

In November of 1996, bank management conducted a seminar regarding the Small Business Administration (SBA). The seminar provided an overview of programs available through SBA, methods of applying for an SBA loan, and eligibility requirements. Speakers included a representative of SBA, a representative of Arkansas Capital Corporation, a consultant from Arkansas Small Business

Development Center, and the director from Northwest Arkansas Certified Development Company.

In September of 1997, real estate loan officers from the bank conducted a seminar at the University of Arkansas regarding the mortgage loan application process. The discussion focused on application procedures and requirements necessary to qualify.

A real estate loan officer of the bank regularly teaches the home ownership seminars required to qualify for ADFA loans. These seminars provide general home ownership information concerning upkeep and routine maintenance. Budgeting is also discussed so that residents can maintain their homes without future financial difficulty.

Bank employees, along with other Arvest employees, painted the house of a low-income individual free of charge. This event took place as a start to a new marketing program that Arvest Bank Group was implementing.

Bank employees provide financial expertise to several organizations by serving on the board of directors. These organizations include the Bentonville CDC, Habitat for Humanity, and Havenwood. The primary purpose of each of these organizations is to promote affordable housing.

### **Additional Information**

A fair lending analysis focusing on Regulation B (Equal Credit Opportunity) and the Fair Housing Act was performed during the examination. The analysis revealed that the bank is in compliance with the substantive provisions of anti-discrimination laws and regulations.



<b>SCOPE OF EXAMINATION</b>			
The bank’s three major product lines were reviewed for analysis under the lending test. These loans used in the analysis included all of the bank’s 1997 HMDA data, 1997 CRA data regarding small businesses and small farms, and a sample of consumer loans originated in the last six months prior to the examination. The bank provided 1997 HMDA data from an affiliate lender for additional evaluation. Also, the bank was asked to provide information concerning the number and dollar volume of community development loans, the number and dollar volume of qualified community development investments, and retail services including any qualified community development services. The bank has one assessment area, and the bank’s activities in this area were reviewed using the large bank examination procedures.			
<b>TIME PERIOD REVIEWED</b>		January 1, 1997 through February 23, 1998	
<b>FINANCIAL INSTITUTION</b>		<b>PRODUCTS REVIEWED</b>	
The Bank of Bentonville Bentonville, Arkansas		Small Farm Small Business Residential Consumer	
<b>AFFLIATE(S) REVIEWED</b>	<b>AFFILIATE RELATIONSHIP</b>		<b>PRODUCTS REVIEWED</b>
Arvest Mortgage Company	Owned by same holding company.		Residential
Walton Foundation	Owned by individuals who own holding company		Grants
<b>LIST OF ASSESMENT AREAS AND TYPE OF EXAMINATION</b>			
<b>ASSESSMENT AREA</b>	<b>TYPE OF EXAMINATION</b>	<b>BRANCHES VISITED</b>	<b>OTHER INFORMATION</b>
Benton County, Arkansas 201.00, 202.01, 202.02, 203.00, 204.00, 204.01, 204.02, 204.03, 205.01, 205.02, 206.01, 206.02, 207.00, 208.00, 209.00, 210.01, 210.02, 211.00, 212.01, 212.02, 213.01, 213.02, 213.03, 214.01, 214.02, 214.03	On-site	Main Office	